

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7203

BILL NUMBER: HB 1408

NOTE PREPARED: Jan 3, 2005

BILL AMENDED:

SUBJECT: Property Tax Abatement and TIF.

FIRST AUTHOR: Rep. Yount

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill eliminates the December 31, 2005, deadline for approval of property tax abatements or creation of tax increment finance (TIF) areas. It repeals the limitation of tax abatements for logistical distribution equipment and information technology equipment to certain counties located along Interstate Highway 69. The bill provides that logistical information distribution equipment and information technology equipment must be installed before January 1, 2007, in order to be eligible for tax abatement. It also makes conforming changes.

Effective Date: July 1, 2005.

Explanation of State Expenditures:

Explanation of State Revenues: The state levies a small tax rate on property for State Fair and State Forestry. Any change in the amount granted for abatements or TIFs would change the amount received from this tax.

If there is an increase in investment because of the changes in this bill, the new property would, at some point, be placed on the tax rolls and the State Fair and State Forestry funds would receive increased revenues. If the investment would have been made with or without the abatement, then increased revenues to the State Fair and State Forestry funds would be foregone until the property is placed on the tax rolls.

Explanation of Local Expenditures:

Explanation of Local Revenues: Abatements and TIFs: This bill eliminates the expiration dates for approval of property tax abatements or creation of TIFs. Under current law, new manufacturing equipment and new research and development equipment may qualify for property tax abatements. The abatements are available for up to ten years. Currently, no new abatements can be granted after December 31, 2005.

Under current law, TIFs are granted for up to 50 years, and proceeds may be used to:

1. Pay debt service on obligations incurred for the financing of redevelopment in the allocation area;
2. Deposit funds into a debt service reserve to pay bonds;
3. Pay debt service on bonds used to pay for local improvements in or serving the allocation area;
4. Pay premiums on early bond redemptions;
5. Make lease payments;
6. Reimburse the local unit for the cost of making local improvements;
7. Reimburse the local unit for rent paid by the unit for a building or parking facility in or serving the allocation area;
8. Pay a PTRC-like credit to taxpayers in the allocation area;
9. Pay expenses incurred by the redevelopment commission for public improvements in or serving the allocation area; and
10. Reimburse public and private parties for expenses in training employees of certain industrial facilities.

Currently, no new TIFs can be created after December 31, 2005.

Logistical Distribution Equipment & Information Technology Equipment: This bill also would allow abatements for new “logistical distribution equipment” and new “information technology (IT) equipment” if installed before January 1, 2007, in an economic revitalization area *anywhere* in the state. Current law concerning these abatements applies only to equipment installed before January 1, 2006, and only for certain counties containing I-69.

Logistical distribution equipment would consist of racks, scanners, separators, conveyors, forklifts, moving equipment, packaging equipment, sorting and picking equipment, and software.

IT equipment would include equipment and software used in the fields of information processing, office automation, telecommunication facilities and networks, informatics, network administration, software development, and fiber optics.

Impact: This bill eliminates the December 31, 2005, deadline for abatements and TIFs to be granted, effectively allowing these provisions to be granted any time in the future. This bill also effectively grants one more year (2006) for the logistical distribution equipment and new IT equipment to be installed and allows this equipment to qualify for an abatement in any ERA in the state.

If there is an increase in development because of the continued use of abatements and TIFs or the installation of new equipment as specified above, the new property would, at some point, be placed on the tax rolls. For abatement this could help spread the property tax burden and could possibly reduce some tax rates, and for TIFs it increases revenue for the unit. However, if one assumes that the investment would be made with or without the abatement or TIF, an increase in abatements (ERAs) could also cause a delay in the shift of the property tax burden from all taxpayers to the owners of the new property until the property is placed on the tax rolls, and the TIF could delay the increase in revenue for the unit. In all cases, the granting of an abatement or TIF is a local decision.

The impact would depend on the number and dollar amount of new abatements that might be granted outside of an economic revitalization area and also the number granted after CY 2005 for abatements inside an economic revitalization area. The following chart shows the total abatements and TIFs for the last 10 years for real and personal property.

Year	Abatements				TIFs	
	Real	Personal	Total	Increase	Total	Increase
1994	\$41,790,975	\$54,579,109	\$96,370,085		\$23,116,487	
1995	42,660,544	44,913,061	87,573,605	(8,796,480)	27,555,225	4,438,738
1996	39,409,092	66,760,681	106,169,772	18,596,168	32,003,233	4,448,008
1997	41,483,134	49,280,601	90,763,735	(15,406,038)	31,998,229	(5,004)
1998	43,312,527	43,532,906	86,845,433	(3,918,302)	38,078,710	6,080,481
1999	47,739,446	49,989,013	97,728,459	10,883,026	40,528,120	2,449,410
2000	50,877,703	70,955,197	121,832,900	24,104,441	51,193,949	10,665,829
2001	57,247,336	94,062,035	151,309,370	29,476,471	29,191,747	(22,002,202)
2002	65,621,529	102,594,325	168,215,854	16,906,484	44,379,676	15,187,929
2003	59,113,642	154,181,896	213,295,539	45,079,685	29,950,248	(14,429,428)

State Agencies Affected: Department of Natural Resources; State Fair Board.

Local Agencies Affected: County auditors.

Information Sources: Local Government Database.

Fiscal Analyst: Chuck Mayfield, 317-232-4825.